

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: MICHAEL FRANKS, LLC and)	
MICHAEL FRANKS ALTERNATIVE FUND, LLC and)	
MICHAEL MORAWSKI and FRANK CONSTANT , their partners,)	
officers and directors, agents, employees, affiliates, successors and)	
assigns, and associated and subsidiary companies.)	
)	

No. 0700224

NOTICE OF HEARING

TO RESPONDENTS:

**Michael Franks, LLC.
800 E. Northwest Highway
Suite 201
Palatine, Illinois 60074**

And

**Michael Franks Alternative Fund, LLC.
800 E. Northwest Highway
Suite 201
Palatine, Illinois 60074**

And

**Michael Morawski
927 Acorn
Sleepy Hollow. Illinois 60118**

And

**Frank Constant
2433 Smalley Court
West Dundee, Illinois 60118**

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 19th day of October, 2011 at the hour of 10:00 a.m. or as soon thereafter as possible

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before James Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondents **Michael Franks, LLC., Michael Franks Alternative Fund, LLC., Michael Morawski, and Frank Constant** and their partners, officers and directors, agents and employees, affiliates, successors and assigns, and associated and subsidiary companies from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

1. That Respondent Michael Franks, LLC (hereinafter at times "Michael Franks" or together with Michael Franks Alternative Fund, LLC., Michael Moraski and Frank Constant, "Respondents") is a limited liability company with a last known address of 800 E. Northwest Highway, Suite 201, Palatine, Illinois 60074.
2. That Respondent Michael Franks Alternative Fund, LLC (hereinafter at times "Michael Franks Alternative" or together with Michael Franks, Michael Moraski and Frank Constant, "Respondents") is a limited liability company with a last known address of 800 E. Northwest Highway, Suite 201, Palatine, Illinois 60074.
3. That Respondent Michael Morawski (hereinafter at times "Morawski" or together with Michael Franks, Michael Franks Alternative, and Frank Constant "Respondents") has a last known address of 927 Acorn, Sleepy Hollow, Illinois 60118.
4. That Respondent Frank Constant (hereinafter at times "Constant" or together with Michael Franks, Michael Franks Alternative, and Morawski "Respondents") has a last known address of 2433 Smalley Court, West Dundee, Illinois 60118.
5. That at all times relevant Respondents Morawski and Constant were the principal officers and members of Michael Franks and Michael Franks Alternative.
6. That Respondents were in the business of purchasing, developing and managing real estate.
7. That between September 2006 and April 2010 Respondents Michael Franks, Michael Franks Alternative, Morawski and Constant solicited approximately 300 individuals to purchase promissory notes ("Notes") to fund the purchase

and development of real estate and, in fact, sold approximately 300 Notes (totaling approximately \$16 million) to some of these individuals ("Investors"), including at least one Illinois Investor who purchased a Note for \$26,314

8. That the activities in paragraph 7 constitute the offer and sale of promissory notes and are therefore a security as those terms are defined in Section 2.1, 2.5 and 2.5a of the Illinois Securities Act of 1953 [815 ILCS 5] (the "Act").

FAILURE TO REGISTER SECURITIES

9. That Respondents never registered the Notes with the Illinois Securities Department.
10. That Section 5 of the Act provides, *inter alia*, that "all securities except those set forth under Section 2a of this Act...or those exempt...shall be registered ...prior to their offer or sale in this State."
11. That Respondents failed to file an application with the Secretary of State to register the stock as required by the Act, and as a result the Notes were not registered as such prior to their offer or sale in the State of Illinois.
12. That Section 12.A of the Act provides, *inter alia*, that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
13. That Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person "to fail to file with the Secretary of State any application, report or document, required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act."
14. That by virtue of the foregoing Respondents violated Sections 12.A and 12.D of the Act.

VIOLATION OF TEMPORARY ORDER OF PROHIBITION

15. That the Secretary of State on December 2, 2009, based upon credible evidence that Respondents Michael Franks, LLC., Michael Morawski, and Frank Constant had violated Sections 12. A and 12.D of the Act and pursuant to Section 11.F(2) of the Act, issued a Temporary Order of Prohibition ("TOP") against Respondents Michael Franks, LLC., Michael Morawski, and Frank Constant and their partners, officers and directors, agents and employees, affiliates, successors and assigns, which prohibited said Respondents from "from offering or selling securities in or from this State until the further Order of the Secretary of State".

16. That the TOP was served on Respondents Michael Franks, LLC., Michael Morawski, and Frank Constant in the manner prescribed by Illinois law, and said Respondents appeared before the Secretary of State to contest the allegations set forth in the TOP, and accordingly requested an administrative hearing.
17. That an Order was entered by consent of the Respondents and the Secretary of State which extended the terms of the TOP (to not offer or sell securities in or from Illinois) "until the conclusion of the administrative hearing and/or entry of any Final Order entered in this case".
18. That Respondents sold at least 2 Notes in and from Illinois during the period that this conduct was prohibited, including a promissory note in the amount of \$30,000 sold in April, 2010.
19. That Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person "...to fail to comply with the terms of any Order of the Secretary of State issued pursuant to Section 11 hereof".
20. That by virtue of the foregoing Respondents violated Sections 12.D of the Act.

FRAUD (PROMISSORY NOTES)

21. That between September 2006 and April 2010 Respondents solicited Investors to purchase Notes for investment in specific real estate ventures including Stonecreek Ventures, LLC.
22. That Investors were promised that their invested funds would be used only for the purchase and operation of the specific real estate venture named by Respondents, and would not be used for other ventures or purposes.
23. That in April 2010 at least one Illinois Investor paid Respondents \$30,000.00 for the purchase of a Note which was to be used in a specific real estate venture and to pay approximately 30% interest (\$9000.00) over the 9 month period of the Note, and to return the principal to the Investor on January 31, 2011.
24. That Respondents failed to pay the interest and principal as promised and failed to use the funds as promised, but instead used the funds to pay earlier Investors and to pay the expenses of other ventures, and to pay the personal expenses of Respondents.
25. That the invested funds garnered by Respondents from the sale of the Notes were routinely and frequently used not for the purposes promised but for fraudulent purposes, including purported "interest" payments to earlier Investors

who believed that the payments they received were coming from profits made in the operation of the real estate ventures.

26. That other fraudulent disbursements which were frequently and routinely made by Respondents included payments of expenses incurred by other ventures, and payments for the personal expenses of Morawski and Constant.
27. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
28. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
29. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
30. By virtue of the foregoing, Respondents violated Sections 12.F, 12.G and 12.I of the Act.

FRAUD (MEMBERSHIP INTERESTS)

31. That between September 2006 and April 2010 Respondents solicited Investors to purchase membership interests for investment in specific real estate ventures including Bridgeport Apartments, LLC
32. That Investors were promised that their invested funds would be used only for the purchase and operation of the specific real estate venture named by Respondents, and would not be used for other ventures or purposes.
33. That in March 2009 at least one Illinois Investor paid Respondents \$26,314 for the purchase of a "membership interest" or "unit" in Respondents' real estate venture entitled "Bridgeport Apartments, LLC" (hereinafter "Bridgeport").
34. That the Investor's funds were promised to be used only for the purchase of real estate designated as Bridgeport, and Respondents promised that the invested funds would be returned to the Investor in the event that the purchase failed to close.

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35. That the purchase of Bridgeport failed to close, and the Investor demanded the return of his \$26,314.
36. That the Respondents failed and refused to return the Investor's \$26,314, but instead used the funds to pay earlier Investors and to pay the expenses of other ventures, and to pay the personal expenses of Respondents.
37. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
38. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
39. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
40. By virtue of the foregoing, Respondents violated Sections 12.F, 12.G and 12.I of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing. Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

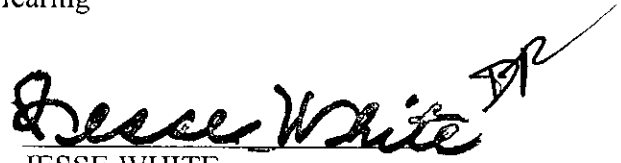
The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 8^m day of August 2011.

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A handwritten signature in black ink that reads "Jesse White". To the right of the signature is a large, stylized flourish or mark that resembles a capital "P" or a checkmark.

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:
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